



FORWARD फरवार्ड माइक्रोफाइनान्स लघुवित्त वित्तीय संस्था लिमिटेड
Microfinance Laghubitta Bittiya Sanstha Ltd.

Interim Financial Statements
Poush 2079

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Financial Position
As on Quarter ended 30th Poush 2079 (14th January 2023)

Figures in NPR

Particulars	This Quarter Ending	Immediate Previous Year Quarter Ending
Assets		
Cash and cash equivalent	1,514,079,030	1,031,824,380
Statutory Balances and Due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and advance to MFIs and cooperatives	-	-
Loans and advances to customers	19,765,565,109	19,779,658,078
Investment securities	2,000,000	2,000,000
Current tax assets	23,627,846	-
Investment Property	-	-
Property and Equipment	204,962,952	156,391,880
Goodwill and Intangible assets	2,175,819	2,806,359
Deferred Tax Assets	3,264,818	11,008,580
Other assets	44,219,263	39,528,148
Total Assets	21,559,894,835	21,023,217,426
Particulars	This Quarter Ending	Immediate Previous Year Quarter Ending
Liabilities		
Due to Bank and Financial Institutions	9,857,754,117	10,450,745,088
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from customers	8,431,316,105	7,332,243,447
Borrowings	25,462,854	-
Current Tax Liabilities	-	181,145,377
Provisions	-	-
Deferred Tax Liabilities	-	-
Other liabilities	481,276,215	534,790,020
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	18,795,809,291	18,498,923,932
Equity		
Share Capital	1,055,563,734	844,450,988
Share Premium	-	-
Retained Earnings	720,486,602	962,106,358
Reserves	988,035,209	717,736,148
Total Equity	2,764,085,544	2,524,293,494
Total Liabilities and Equity	21,559,894,835	21,023,217,426

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Profit or Loss
For the Quarter ended 30th Poush 2079 (14th January 2023)

Figures in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to this Quarter (YTD)	This Quarter	Up to this Quarter (YTD)
Interest income	743,035,163	1,517,329,815	731,683,923	1,380,547,562
Interest expense	(514,412,917)	(1,009,292,488)	(345,608,767)	(688,622,956)
Net interest income	228,622,246	508,037,326	386,075,156	691,924,606
Fees and commission income	57,681,307	115,318,817	95,106,420	199,904,639
Fees and commission expense	(3,298,100)	(9,361,400)	(1,080,750)	(3,382,400)
Net fee and commission income	54,383,207	105,957,417	94,025,670	196,522,239
Net interest and commission income	283,005,453	613,994,743	480,100,826	888,446,845
Net trading income	-	-	-	-
Other operating income	45,326,090	61,689,194	26,625,239	37,509,507
Total operating income	328,331,543	675,683,937	506,726,065	925,956,352
Impairment charge/(reversal) for loans and other losses	127,925,005	213,521,910	(137,264,167)	(11,647,677)
Net operating income	200,406,539	462,162,027	643,990,231	937,604,029
Operating expense				
Personnel expenses	(106,807,818)	(246,021,278)	(163,692,708)	(294,450,877)
Other Operating expenses	(14,469,313)	(25,517,477)	(11,001,773)	(19,906,156)
Depreciation and Amortization	(5,120,870)	(13,442,304)	(8,360,180)	(16,376,956)
Operating Profit	74,008,537	177,180,969	460,935,569	606,870,041
Non-operating Income	1,500	5,500	328,875	467,380
Non-operating expense	-	-	-	-
Profit before income tax	74,010,037	177,186,469	461,264,444	607,337,421
Income tax expense	22,200,311	53,155,941	138,380,173	182,202,242
<i>Current Tax Expense</i>	22,200,311	53,155,941	138,380,173	182,202,242
<i>Deferred Tax Expense/(Income)</i>	-	-	-	-
Profit/(loss) for the period	51,809,726	124,030,528	322,884,271	425,135,179
Condensed Statement of Comprehensive income				
Profit/(loss) for the period		124,030,528		425,135,179
Other Comprehensive Income		-		-
Total Comprehensive Income	-	124,030,528		425,135,179
Basic earnings per share (Annualized)		23.50		100.69
Diluted earnings per share (Annualized)		23.50		100.69

Ratios as per NRB Directives

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to this Quarter (YTD)	This Quarter	Up to this Quarter (YTD)
Capital Fund to Risk Weighted Assets		13.05%		11.73%
Non-performing loan (NPL) to Total Loan		3.81%		2.11%
Total Loan loss provision to Total NPL		101.78%		135.23%
Cost of funds		11.34%		8.44%
Credit to Borrowing and Deposit Ratio		111.83%		114.38%
Base Rate		13.61%		11.81%
Interest Rate Spread		3.65%		6.48%

Details about the Distributable Profit

	<i>Figures in NPR</i>
Net Profit for the Quarter ended 30th Poush 2079 (14th January 2023)	124,030,528
1. Appropriations	
1.1 Profit required to be apportioned (to):	(27,286,716)
a. General Reserve	(24,806,106)
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	-
d. Corporate Social Responsibility Fund	(1,240,305)
e. Employees Training Fund	-
f. Client Protection Fund	(1,240,305)
g. Other	-
1.2 Profit required to be transferred (to)/From Regulatory Reserve:	(56,511,931)
h. Transferred to Regulatory Reserve ((56,511,931)
i. Transferred from Regulatory Reserve	-
Net Profit for the Quarter ended 30th Poush 2079 (14th January 2023) available for distribution	40,231,881

Condensed Statement of Cash Flows
For the Quarter ended 30th Poush 2079 (14th January 2023)

Figures in NPR

Particulars	This Quarter Ending	Immediate Previous Year Quarter Ending
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,427,263,194	1,428,137,039
Fees and other income received	115,324,317	200,372,019
Dividend received	-	
Receipts from other operating activities	61,689,194	37,509,507
Interest paid	(1,007,673,257)	(686,482,825)
Commission and fees paid	(9,361,400)	(3,382,400)
Cash payment to employees	(225,968,749)	(226,651,333)
Other expense paid	(42,021,701)	(35,552,734)
Operating cash flows before changes in operating assets and liabilities	319,251,598	713,949,273
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions		
Other trading assets		
Loans and advances to bank and financial institutions		
Loans and advances to customers	(50,167,904)	(4,057,889,715)
Other assets	(2,818,294)	(7,217,092)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	(236,827,077)	1,814,766,200
Due to Nepal Rastra Bank		
Deposit from customers	472,214,737	692,509,988
Borrowings	(208,333)	
Other liabilities	(64,603,261)	162,717,587
Net cash flow from operating activities before tax paid	436,841,466	(681,163,758)
Income taxes paid	(47,180,249)	(70,610,848)
Net cash flow from operating activities	389,661,217	(751,774,606)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities		
Receipts from sale of investment securities		
Purchase of property and equipment	(11,564,873)	(6,141,556)
Interest received		
Dividend received		
Net cash used in investing activities	(11,564,873)	(6,141,556)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities		
Repayment of debt securities		
Dividends paid	-	-
Interest paid		
Other receipt/payment	(7,961,497)	(1,096,364)
Net cash from financing activities	(7,961,497)	(1,096,364)
Net increase (decrease) in cash and cash equivalents	370,134,847	(759,012,526)
Cash and cash equivalents at beginning of the period	1,143,944,183	1,790,836,907
Effect of exchange rate fluctuations on cash and cash equivalents held		
Cash and cash equivalents at the end of the period	1,514,079,030	1,031,824,380

Condensed Statement of Changes In Equity
For the Quarter ended 30th Poush 2079 (14th January 2023)

Attributable to equity holders of the Bank

Figures in
NPR

	Share Capital	General reserve	Regulatory Reserve	Retained earning	Other Reserves	Total equity
Balance at 1st Shrawan 2078	625,519,250	451,514,904	-	506,087,257	103,895,263	1,687,016,674
Adjustment/Restatement	218,931,738		118,472,630	94,232,197	(19,494,924)	412,141,641
Adjusted/Restated balance at 1st Shrawan 2078	844,450,988	451,514,904	118,472,630	600,319,455	84,400,339	2,099,158,315
Comprehensive income for the year						-
Profit for the year				425,135,179		425,135,179
Other comprehensive income, net of tax					-	-
Gains/(losses) from investment in equity instruments measured at fair value.					-	-
Gains/(losses) on revaluation					-	-
Actuarial gains/(losses) on defined benefit plans					-	-
Gains/(losses) on cash flow hedge					-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)					-	-
Total Comprehensive income for the year	-	-	-	-	-	-
Transfer to Reserves during the year		85,027,036	(30,181,464)	(63,348,275)	8,502,704	-
Transfer from reserve during the year				-	-	-
Other Adjustments				-	-	-
Transactions with owners, directly recognized in equity						-
Share Issued					-	-
Share Based Payments					-	-
Dividends to equity holders					-	-
Bonus shares issued					-	-
Cash dividend paid					-	-
Other (Share issue expenses)					-	-
Total contributions by and distributions	-	85,027,036	(30,181,464)	361,786,904	8,502,704	425,135,179
Balance at 30 Poush 2078	844,450,988	536,541,939	88,291,166	962,106,358	92,903,042	2,524,293,494

Adjusted/Restated balance at 1st Shrawan 2079	844,450,987	629,298,998	108,683,382	933,590,017	174,215,734	2,690,239,116
Comprehensive income for the year						-
Profit for the year				124,030,528		124,030,528
Other comprehensive income, net of tax					-	-
Gains/(losses) from investment in equity instruments measured at fair value.					-	-
Gains/(losses) on revaluation					-	-
Actuarial gains/(losses) on defined benefit plans					-	-
Gains/(losses) on cash flow hedge					-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)					-	-
Total Comprehensive income for the year	-					-
Transfer to Reserves during the year		24,806,106	56,511,931	(83,798,647)	2,480,611	-
Transfer from reserve during the year						-
Other Adjustments					(7,961,551)	(7,961,551)
Transactions with owners, directly recognised in equity						-
Share Issued					-	-
Share Based Payments					-	-
Dividends to equity holders					-	-
Bonus shares issued	211,112,747			(211,112,747)	-	-
Cash dividend paid				(42,222,549)	-	(42,222,549)
Other (Share issue expenses)					-	-
Total contributions by and distributions	211,112,747	24,806,106	56,511,931	(213,103,415)	(5,480,940)	73,846,428
Balance at 30 Poush 2079	1,055,563,734	654,105,103	165,195,313	720,486,602	168,734,793	2,764,085,544

1. Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) adopted by the Accounting Standards Board (ASB) of Nepal, pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and as per the directives no. 4 of Unified Directives, 2077 issued

by Nepal Rastra Bank (NRB). Certain Carve-outs issued by ICAN in preparation of NFRS Financial Statements have been applied in the preparation of presented financial statements.

Comparative figures are regrouped, rearranged and/or restated, remeasured to ensure consistency in presentation and measurements.

The financial statements have been prepared on the going-concern basis.

The Microfinance presents its statement of financial position broadly in order of liquidity.

Functional and presentation currency

The financial statements are presented in Nepalese Currency (NPR) (rounded to the nearest Rupee unless otherwise stated), which is the Microfinance's functional currency, the currency of the primary economic environment in which microfinance operates.

2. Other Disclosures:

2.1 Related Party Disclosures

The related parties of the Microfinance which meets the definition of related parties as defined in "NAS 24 Related Parties Disclosure" are as follows:

Key Management Personnel (KMP)

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Microfinance includes members of its Board of Directors, Chief Executive Officer, and another higher-level employee of the Microfinance. The name of the key management personnel who were holding various positions in the office during the year were as follows:

Name of the Key Management Personnel	Position
Keshab Raj Paudel	BOD Chairman
Raj Kumari Chaudhary	Director
Ashutosh Sharma	Director
Balaram Chaudhary	Director
Jagat Jung G.C	Director
Kamal Singh Rajbanshi	Director
Ram Dayal Rajbanshi	Chief Executive Officer
Krishna Prasad Bhattarai	Executive Manager/Company Secretary
Hira Kumari Thandar	Chief Manager
Dhirendra Kumar Majhi	Senior Manager
Rajendra Chaudhary	Senior Manager

Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Micro Finance with him whereas compensation paid to other member of KMP are governed by Employees Byelaws and decisions made by management time to time in this regard. In addition to salaries and allowances, non- cash benefits like vehicle facility, subsidized rate employees' loan, termination benefits are also provided to KMP.

The details relating to compensation paid to key management personnel (directors only) were as follows:

Particulars	Amount (In NPR.)
Meeting Fees	240,000.00
Other Expenses	4,485,107.60
Total	4,725,107.60

Other expenses include Board of Directors foreign training and development expenses.

The details relating to compensation paid to key management personnel other than directors were as follows:

Particulars	Amount (In NPR.)
Short term employee benefits	4,678,774.00

2.2 Segment Information

2.2.1 Information about Reportable Segments:

	Province 1		Madhesh Province	
	This Quarter	Immediate Previous Year Quarter ending	This Quarter	Immediate Previous Year Quarter ending
Revenues from External Customers	650,116,887	669,652,354	508,901,116	565,797,544
Intersegment revenues	-	-	-	-
Segment profit/(loss) before tax	336,782,751	507,777,330	269,131,649	462,068,762
Segment assets	8,283,897,317	8,075,319,862	6,532,669,969	6,565,189,653
Segment liabilities	3,483,278,172	3,100,869,936	2,454,323,796	2,161,308,868

	Lumbini Province		Sudurpashchim Province	
	This Quarter	Immediate Previous Year Quarter ending	This Quarter	Immediate Previous Year Quarter ending
Revenues from External Customers	214,387,430	225,027,770	136,747,195	130,385,089
Intersegment revenues	-	-	-	-
Segment profit/(loss) before tax	77,857,196	155,762,584	61,717,242	87,992,124
Segment assets	2,787,955,244	2,772,972,027	1,809,058,705	1,663,312,621
Segment liabilities	1,366,080,249	1,154,786,947	868,450,018	706,659,504

	Bagmati Province		Karnali Province	
	This Quarter	Immediate Previous Year Quarter ending	This Quarter	Immediate Previous Year Quarter ending
Revenues from External Customers	44,339,434	37,820,556	12,240,364	13,674,975
Intersegment revenues	-	-	-	-
Segment profit/(loss) before tax	21,691,583	24,486,999	4,689,195	5,976,428
Segment assets	555,685,005	494,020,701	167,985,901	170,816,953
Segment liabilities	209,699,973	155,508,135	49,838,084	38,078,281

	Gandaki Province		Other		Total	
	This Quarter	Immediate Previous Year Quarter ending	This Quarter	Immediate Previous Year Quarter ending	This Quarter	Immediate Previous Year Quarter ending
Revenues from External Customers	8,028,682	6,441,199	29,515,596	20,670,787	1,604,276,705	1,669,470,273
Intersegment revenues	-	-	-	-	-	-
Segment profit/(loss) before tax	3,518,564	3,619,905	(598,201,711)	(640,346,711)	177,186,469	607,337,421
Segment assets	105,480,243	95,337,654	1,317,162,451	1,186,247,955	21,559,894,835	21,023,217,426
Segment liabilities	31,902,277	20,503,346	10,332,236,722	11,161,208,915	18,795,809,291	18,498,923,932

2.2.2 Reconciliation of Reportable Segment Profit/Loss:

	This Quarter	Immediate Previous Year Quarter ending
Total profit or loss before tax for reportable segments	775,388,180	1,247,684,131
Total profit or loss before tax for other segments	(598,201,711)	(640,346,711)
Other profit or loss		
Elimination of intersegment profits		
Unallocated amounts	-	-
Profit before tax	177,186,469	607,337,421

2.3 Merger and acquisition

No any Mergers and acquisitions have taken in the periods presented. The Microfinance has reformed Merger Committee to perform merger related task.

2.4 Dividend Distribution

The Annual general meeting of the Microfinance held on 30th of Poush, 2079 have approved the dividend proposed by the Board of Directors for the Financial Year 2078/79. The approved bonus shares is Rs. 211,112,747 (25% of the paid-up capital) and cash dividend is Rs. 42,222,549 (5% of the paid-up capital inclusive of dividend tax). The effects have been reflected in the presented financial statements.

2.5 Additional Disclosure of Non-consolidated entities

Since, the microfinance company does not have subsidiaries, there are no such non-consolidated entities.

3. Explanatory Notes

The explanatory notes relating to the interim financial statements are as follows:

3.1 Due from Nepal Rastra Bank

Statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement and other deposits with and receivables from Nepal Rastra Bank has been presented under this account head.

3.2 Placement with Bank and Financial Institutions

Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date are presented under this account head.

3.3 Derivative Financial Instruments

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date.

However, the Microfinance does not have such instruments as on Poush end 2079.

3.4 Loans and advances to customers

Outstanding amount of all loans and advances extended to the customers other than BFIs as well as bills purchased and discounted less the amount of impairment allowances shall be presented. Loan to employees provided according to the Employees Bylaws of the Microfinance has also been presented under this head.

3.5 Other Trading Assets

Financial assets are classified as trading assets if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short- term profit taking. They are recognized on trade date, when the Microfinance enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss.

Subsequent changes in their fair values are recognized in profit or loss in 'Net trading income'. However, the Microfinance does not have such assets to be recognized as trading assets as on Poush end 2079.

3.6 Investment securities

Investments made by the Microfinance in financial instruments has been presented under this account head in three categories i.e., investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment shall be made by increasing the number of shares only without changing in the cost of investment.

3.7 Income Tax

3.7.1 Current Tax

Current tax is the income tax expense recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or OCI in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected or paid to Inland Revenue Department in respect

of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

3.7.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset. The deferred tax effect has not been considered for the presented periods.

3.8 Due to Bank and financial institution

The balances in accounts maintained with the institution by other local and foreign banks and financial institution has been presented under this head. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution has also been presented under this account head.

3.9 Due to Nepal Rastra Bank

This account head shall also contain the amount of payable to Nepal Rastra Bank. Amount payable to NRB shall include amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB etc.

3.10 Deposits from Customers

All deposit accounts other than deposit from BFIs (local and foreign) and NRB has been presented under this account head.

3.11 Fees and Commission Expense

Payment on account of fee and commission for services obtained by the Microfinance has been presented under this account head. This account head shall include card related fees, guarantee commission, brokerage expenses etc.

3.12 Net trading income

Trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities has been presented under this account head.

3.13 Other operating income

Receipt of all other operating income not specifically provided under the income heads above has been booked and presented under this head. This includes foreign exchange revaluation gain, gain/loss on sale of available for sale securities, dividend on available for sale securities, gain/loss on sale of property and equipment, gain/loss on sale of investment properties, Lease income.

3.14 Impairment charge/(reversal) for loan and other losses

It includes impairment charge/reversal on loan and advances to customers, loan and advances to bank and financial institutions, investment securities, placement with bank and financial institutions, property and equipment, goodwill and intangible assets, investment properties etc.

3.15 Personnel Expense

- All expenses related to employees of the Microfinance has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, Finance expense under NFRSs, cash-settled share-based payments etc. This includes provision for staff bonus calculated in line with the provisions of Bonus Act.

3.16 Other operating expense

All operating expense other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non-audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, impairment of non-financial assets, expense of corporate social responsibility, onerous lease provisions etc.

3.17 Depreciation & Amortisation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRSs on property and equipment, and investment properties, and amortization of intangible assets and right-to-use assets has been presented under this account head.

3.18 Non-operating income

The income and expenses that have no direct relationship with the operation of transactions of the Microfinance has been presented under this head. The income/expense covered under this account head includes loan written off, recovery of loan, redundancy provision, expense of restructuring etc.

3.19 Income tax Expense

The amount of income tax on net taxable profit has been recognized and presented under this account head. This account head shall include current tax expense and deferred tax expense/deferred tax income. The effect of deferred tax has not been considered for the presented periods.